

## **MONEY LAUNDERING:**

### **Review of the Financial Crimes Enforcement Network's Use of Artificial Intelligence to Combat Money Laundering**

OIG-01-091

September 18, 2001



**Office of Inspector General**

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**The Department of the Treasury**

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## Abbreviations

BSA	Bank Secrecy Act
FAIS	FinCEN Artificial Intelligence System
FinCEN	Financial Crimes Enforcement Network
FY	Fiscal Year
GPRA	Government Performance and Results Act
LEA	Law Enforcement Agency
OIG	Office of Inspector General
PTS	Proactive Targeting Section
Treasury	Department of the Treasury

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*The Department of the Treasury  
Office of Inspector General*

September 18, 2001

William F. Baity  
Deputy Director  
Financial Crimes Enforcement Network

The Financial Crimes Enforcement Network (FinCEN) employees use the FinCEN Artificial Intelligence System (FAIS) to help the law enforcement community identify potential subjects involved in money laundering and other financial crimes. Our overall objective in performing this review was to determine FAIS' current state of implementation and effectiveness. Specifically, we wanted to know 1) if FinCEN's objectives for the system had been met; 2) the costs associated with the system; 3) how FinCEN measured its performance or effectiveness; and 4) how useful and timely FAIS information is to law enforcement officials. Our fieldwork was performed from April 2000 through July 2000 at FinCEN. We contacted eight law enforcement agencies (LEA) to determine how they are using FAIS information and their satisfaction with it. Appendix 1 provides more information about our review's objectives, scope, and methodology.

## Results in Brief

We determined that FinCEN has made substantial progress in developing FAIS and have met many of its objectives for its development and use. Since FAIS was considered a tool as opposed to a program, all specific costs were not separately tracked in terms of investment. However, FinCEN was able to provide many of the expenses related to implementing FAIS, and FinCEN believes it has been cost effective. We noted that it would

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help to track resources and develop performance measures to determine a return on investment and overall system effectiveness. We used a survey to obtain responses from various law enforcement agencies to determine if they considered FAIS information useful and timely.

## Background

The Department of the Treasury (Treasury) and its bureaus are essential components in combating money laundering. Detecting and preventing money laundering requires the combined efforts of FinCEN, the Internal Revenue Service, the United States Customs Service, the United States Secret Service, financial institution regulators, and a host of law enforcement agencies. Treasury has placed the highest priority on fighting both domestic and international money laundering.

Created in April 1990, FinCEN's original mission centered on providing direct support to law enforcement agencies that investigate money laundering and other financial crimes. In May 1994, Treasury significantly expanded FinCEN's role, giving it responsibility for promulgating regulation under the Bank Secrecy Act of 1970 (BSA); evaluating violations of BSA requirements and recommending appropriate civil penalties; and leading Treasury's efforts to combat money laundering domestically and internationally.

FinCEN accomplishes its mission to establish, implement and oversight policies to prevent and detect money laundering in two ways. First, FinCEN uses counter-money-laundering laws, such as the BSA, to require reporting and record keeping by banks and other financial institutions. This record keeping preserves a financial trail for investigators to follow as they track criminals and their assets. Second, FinCEN provides intelligence and analytical support to law enforcement. This information is disclosed to FinCEN's customers in the law enforcement community in the form of intelligence reports. These reports help LEAs build investigations and plan new strategies to combat money laundering. FinCEN's analysts provide case support to more than

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150 Federal, State, and local agencies, issuing approximately 8,000 intelligence reports each year.

Since March 1993, FinCEN has been using its FAIS to help the law enforcement community identify subjects possibly involved in money laundering and other financial crimes. FAIS' primary task is the automated review of all BSA filings to generate leads. The objective of FAIS is to discover previously unknown, potentially high value leads for possible investigation. Through the employment of advanced artificial intelligence technology, FAIS provides a cost effective and efficient way to locate unusual or questionable financial activity in the millions of currency transaction reports required by the BSA.

FAIS is unique in that it uses artificial intelligence and integrates this intelligent software along with law enforcement personnel to develop money laundering leads. The FAIS is designed to group or link currency transaction reports to identify individuals, businesses, and bank accounts possibly involved in money laundering and other financial crimes. It accesses BSA data while manipulating and integrating the artificial intelligence software. This is different from FinCEN's Gateway and Platform concept, which offers employees of federal and state law enforcement agencies space at FinCEN and/or access to BSA financial data and commercial databases so they can conduct their own investigations.

## **Finding 1**

### **FAIS Staffing**

Prior to our review, only one Intelligence Research Specialist was assigned to perform work on FAIS. As a result, FinCEN was not able to proactively develop money laundering cases. Instead, FinCEN only worked on leads that were requested from other law enforcement agencies.

During the course of our review, FinCEN established within the Office of Investigations the Proactive Targeting Section (PTS), which has responsibility to operate FAIS. The PTS develops potential money laundering targets for domestic law enforcement efforts based on BSA information. FinCEN's current Director made this change as a part of the structural changes necessary to better serve its customers and to provide more attention to domestic law

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enforcement efforts. The PTS unit now has seven Intelligence Research Specialists instead of one. FinCEN believes that the additional personnel will not only help strengthen their response to LEA requests, but will also increase their ability to proactively develop money laundering cases. We agree with the structural changes FinCEN initiated and believe it is important for FinCEN to continue to closely monitor FAIS to determine that personnel and resources are appropriate to maximize its effectiveness.

## **Finding 2**

### **FAIS Performance Measurement**

FinCEN uses performance measures to gauge the success of FinCEN's systems collectively, rather than individually. FAIS is not considered a program, but rather a tool. Therefore, there are no specific performance measures associated with it. However, the ability to determine the success of any law enforcement tool is based on how well the results can be assessed. A complete review of FinCEN's performance measures was not within the scope of this review. We plan to conduct a Government Performance and Results Act (GPRA) review of FinCEN's performance measures in the near future.

The contribution of FAIS is difficult to measure for a number of reasons. FAIS is only one of many tools used by FinCEN in its support of the law enforcement community. FAIS provides only case leads, therefore it is difficult to determine the final results. FinCEN did not determine all final case dispositions because law enforcement cases sometimes can take a number of years until final disposition. This lag time impacts annual accomplishment or performance reporting, because the final outcome may occur two or three years later than the period covered by the reports.

Also, leads from FinCEN may be referred from one LEA to another before action is taken. This referral process obscures the origin of the lead and could make feedback systems somewhat unreliable, as well as administratively burdensome. Currently, FinCEN does not have provisions for feedback from LEAs on lead referrals.

Our scope did not allow us to include a full review of the adequacy of FinCEN Enforcement Support performance measures, but by contacting law enforcement agencies regarding FAIS, we were able

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to assess its effectiveness. FinCEN had a limited mechanism to determine the level of satisfaction with their services. When case reports were sent to LEAs, a customer feedback form was included. FinCEN officials stated that they had not received many responses to these feedback requests. Accordingly, we conducted a survey during our review to determine the effectiveness of FAIS. We contacted law enforcement officials at eight separate agencies regarding 33 cases that were processed by FAIS during Fiscal Year (FY) 1999 and FY 2000. The survey results indicated that most cases were deemed useful by the contacted agency and FinCEN's research results were rated high in helping identify potential subjects and/or obtaining leads. The responding agencies indicated that FinCEN processed the majority of the cases in a timely manner and all agencies would recommend using FAIS again in the future.

Appendix 2 includes the survey questionnaire administered to the eight law enforcement agencies to determine the effectiveness of FAIS. We determined it would be beneficial for the FinCEN Director to develop ways that FAIS performance can be assessed. This will allow FinCEN to determine whether the resources devoted to it are appropriate and effective, and that as a tool, FAIS is utilized to the maximum extent possible. We plan to conduct a GPRA review of FinCEN's performance measures in the future to evaluate its overall enforcement measures and specific measures for FAIS.

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We would like to extend our appreciation to FinCEN for the cooperation and courtesies extended to our staff during the review. If you have any questions, please contact me at (202) 927-5591, or a member of your staff may contact Ethel Taylor-Young, Audit Manager, Enforcement Program Audits, at (202) 927-6453. Major contributors to the report are listed in Appendix 4.

Alexander Best, Jr.  
Acting Director, Enforcement Program Audits

Our overall objective in performing this review was to determine FAIS' current state of implementation and effectiveness. Specifically, we wanted to know 1) if FinCEN's objectives for the FAIS had been met; 2) the costs associated with the system; 3) how FinCEN measured its performance or effectiveness; and 4) how useful and timely FAIS information is to law enforcement officials. Further we wanted to determine how FinCEN is using FAIS information to investigate and dismantle money laundering schemes, and what benefits and/or successes are being achieved by the use of FAIS.

The review was initiated in October 1999 after some research and survey work was performed. Due to unforeseen circumstances affecting the availability of the audit staff, the work was suspended until April 2000.

To accomplish our objectives, we performed fieldwork from April 2000 through July 2000 at FinCEN. We interviewed personnel responsible for the development and maintenance of FAIS, as well as analysts that use it daily.

We reviewed current FinCEN policies and guidelines and FAIS policies and procedures. We conducted interviews with law enforcement agencies that used FAIS information during FY 1999 and FY 2000. We issued a survey questionnaire to eight law enforcement agencies to determine how they use FAIS information to investigate and dismantle money laundering schemes, and how successful they have been.

We conducted our audit in accordance with generally accepted government auditing standards.



Survey of Law Enforcement Officials Regarding Information Received From  
FinCEN's Artificial Intelligence System

Agency Name/Location: \_\_\_\_\_

Person Contacted:

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Telephone Number: \_\_\_\_\_

Proactive or Reactive Case: \_\_\_\_\_

Case: \_\_\_\_\_

1. Our records show that you have used FinCEN's Artificial Intelligence System.  
In what way was the AI information provided to your agency?  
(proactive vs. reactive)
2. For what purpose(s) was the information used?
  - a. To obtain information and leads on a subject already under investigation.
  - b. To identify potential subjects that were previously unknown who may have been involved in financial crimes or money laundering.
  - c. Other. Please explain.
3. Is this the first time you have received help from FinCEN?
4. Has FinCEN always processed your agency's requests?
5. Overall, how would you rate the information provided by FinCEN:  
(Check one).
  - a. ☐ Very useful
  - b. ☐ Somewhat useful
  - c. ☐ Not useful
  - d. ☐ Not applicable
6. How useful were AI product(s) in helping you identify potential subjects?
  - a. ☐ Very useful
  - b. ☐ Somewhat useful
  - c. ☐ Not useful
  - d. ☐ Too soon to know
7. How useful were AI product(s) in obtaining information or developing  
investigative leads?
  - a. ☐ Very useful
  - b. ☐ Somewhat useful
  - c. ☐ Not useful
  - d. ☐ Too soon to know

8. How useful was AI product(s) in prosecuting the case, i.e., presenting a case to a grand jury or other court proceeding?
- a. ☐ Very useful
  - b. ☐ Somewhat useful
  - c. ☐ Not useful
  - d. ☐ Too soon to know
  - e. ☐ Not applicable
9. Did the information contained in the AI product(s) assist you in any of the following ways: *(Check all that apply)*.
- a. ☐ Saved time and/or money
  - b. ☐ Identified potential subjects that were previously unknown
  - c. ☐ Provided investigative leads that were previously unknown
  - d. ☐ Identified assets that were previously unknown
  - e. ☐ Verified or confirmed information already known
  - f. ☐ Eliminated subjects or narrowed the scope of the investigation
  - g. ☐ Other. Please explain.
10. Did FinCEN respond in a timely manner? *(Check one)*.
- a. ☐ Very timely
  - b. ☐ Somewhat timely
  - c. ☐ Untimely
  - d. ☐ Varied by product. Please explain.
  - e. ☐ Not applicable (artificial intelligence product was self-initiated by FinCEN).
- How long did the FinCEN take to respond to your request?
11. Taking everything into consideration, was the FinCEN product(s) your agency received adequate?
12. Would you request FinCEN's AI support in the future? *(Check one)*.
- a. ☐ Definitely yes
  - b. ☐ Probably yes
  - c. ☐ Probably no (please explain).
  - d. ☐ Definitely no (please explain)
13. Do you have any comments or suggestions that would improve the AI product(s) you received? How would this improvement help?
14. Other than FinCEN, what databases (i.e., financial, commercial, or law enforcement) or other intelligence support centers do you have access to?
15. Has FinCEN followed up on the results of your investigation?  
Will you let them know of the results?
16. How were you made aware of FINCEN's AI program?

Additional Comments:



DEPARTMENT OF THE TREASURY  
FINANCIAL CRIMES ENFORCEMENT NETWORK

JUL 2 2001

**MEMORANDUM FOR BARRY L. SAVILL**  
**DIRECTOR, ENFORCEMENT PROGRAM AUDITS**  
**OFFICE OF THE INSPECTOR GENERAL**

**FROM:**  William F. Baity  
Deputy Director

**SUBJECT:** Review of the Financial Crimes Enforcement Network's Use of  
Artificial Intelligence to Combat Money Laundering

Thank you for the opportunity to provide comments to the draft audit report on the Review of the Financial Crimes Enforcement Network's (FinCEN) Use of Artificial Intelligence to Combat Money Laundering. The report focused on a timeframe within FY 1999 and FY 2000. We thought it would be helpful to highlight additional steps which have been taken to improve the effectiveness of FinCEN's use of the FinCEN Artificial Intelligence System (FAIS). The FAIS is currently used as a tool to proactively identify financial anomalies. FinCEN's efforts to utilize the FAIS and other tools during the audited period, identified several enhancements to improve the effectiveness of the FAIS.

In September 1999, FinCEN's Director made a decision to establish a Proactive Targeting Section within the Office of Investigative Support, which combined all efforts that related to the proactive identification of financial anomalies regardless of the tool used. Currently, seven analysts are assigned to this section and use many different tools to proactively identify financial anomalies.

The dynamic characteristic of FAIS better enables FinCEN to provide the best value added approach to assist law enforcement needs. FinCEN continues to modify and enhance the FAIS to improve FinCEN's ability to identify suspicious activity and improve the proactive target packages provided to law enforcement. Currently, the new users of the system utilize many additional analyst tools to best fit the needs of the recipient.

The Proactive Targeting Section has become the primary user of these tools for the purpose of proactively identifying potential money laundering targets. The tools used by the Proactive Targeting Section (including FAIS), will continue to evolve to meet the ever changing needs and requirements for the detection of these targets.

If additional information is needed, please contact Becky Martin, Deputy Chief Financial Officer at (703) 905-3860.

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